

DOCUMENT RESUME

ED 260 205

CE 042 016

AUTHOR Page, Leslie
TITLE Community Exchange Systems. What They Are. How They Work. How to Set One Up.
SPONS AGENCY British Columbia Dept. of Education, Victoria. Div. of Continuing Education.
PUB DATE Jul 85
NOTE 24p.
AVAILABLE FROM Community Initiatives Publications, 2832 West 36th Avenue, Vancouver, BC V6N 2R1 (\$1.00).
PUB TYPE Guides - Non-Classroom Use (055)
EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Adults; Community Cooperation; *Community Organizations; *Cooperatives; Economic Opportunities; Guidelines; Participative Decision Making; *Program Development; Program Implementation
IDENTIFIERS *Barter; British Columbia; *Community Exchange Systems

ABSTRACT

This booklet explains the concept of a community exchange system (CES), or barter system, for the exchange of goods and services and describes how to set one up. The booklet is concerned only with nonprofit, voluntary organizations. The booklet is organized in four sections. The first section introduces the community exchange systems idea and explains how an exchange works. The second part of the booklet contains questions that people ask about community exchange systems and answers to those questions. In the section the setting up of an exchange is detailed. Topics discussed include the following: forming a nonprofit organization, accounting, recording and accounting in exchange dollars, goods and services list, administration expenses not covered by Federal dollars, trading guidelines, and promotional work. In the concluding section, the fundamentals of a community exchange systems are summarized. Appendixes to the booklet provide sources of further information on CESs in British Columbia, examples of goods and services lists, and an income tax interpretation from Revenue Canada. (KC)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

COMMUNITY EXCHANGE SYSTEMS

WHAT THEY ARE

HOW THEY WORK

HOW TO SET ONE UP

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

This document has been reproduced as
received from the person or organization
originating it.
☐ Minor changes have been made to improve
reproduction quality.

• Points of view or opinions stated in this docu-
ment do not necessarily represent official NIE
position or policy.

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

P. Mortimer

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)."

CE 042016

Acknowledgement: Appreciation is expressed to all of those who contributed information and suggestions for this booklet, particularly John MacGilchrist of the Trade Referral and District Exchange (T.R.A.D.E.), Errington, B.C.

Sponsored by: The Adult Education Consortium on Economic Dislocation, Dorothy Clode, Chairperson; and Malaspina College, Parksville/Qualicum Campus, Joe Gubbels, Associate Director

Funded by: The Continuing Education Branch
Ministry of Education, British Columbia

Prepared by: Leslie Page, with assistance from Beth Le Baron

Edited by: Michael Clague and Joe Gubbels

Production by: Community Initiatives Publications
The Andrews Professional Word Processing Services
Gamma Printers

Reordering: \$1.00. (includes mailing)

Community Initiatives Publications
2832 West 36th Avenue
Vancouver, B.C.
V6N 2R1

Tel: 263-9464

July 1985

Copyright © Ministry of Education

This booklet is produced as a source of information about community exchange systems. The responsibility for the operation of exchange systems lies with those directly involved.

TABLE OF CONTENTS

	<u>Page No.</u>
Introduction: The Community Exchange Systems Idea	5
- How an Exchange Works	6
Questions People Ask About Community Exchange Systems	9
Setting Up An Exchange	15
- Forming a Non-Profit Organization	16
- Accounting: The Role of the Society Treasurer	17
- Recording and Accounting in Exchange Dollars: The Position of Exchange Facilitator	17
- Goods and Services List	18
- Administration Expenses Not Covered by Federal Dollars	18
- Trading Guidelines	19
- Promotional Work	19
Conclusion: The Fundamentals of Community Exchange Systems	21
 Appendices	
A. Two Sources of Further Information on Community Exchange Systems in British Columbia.....	23
B. Examples of Goods and Services in a Community Exchange System	24
C. Revenue Canada Interpretation Bulletin No: IT-490	25

INTRODUCTION:

THE COMMUNITY EXCHANGE SYSTEMS IDEA

Over the past few years there has been a growing interest in community exchange systems (CES). In B.C. there are already many communities actively involved in some form of community exchange system. In fact you may be familiar with phrases such as barter system, informal economy, green dollar exchanges, local exchange trading systems (LETS), and so on. Although you may have heard these phrases there might still exist some confusion about the subject. Very simply, the purpose of a CES is to facilitate the exchange of goods and services among community members and, by doing so, enable people to acquire some of the things they need without having to use Canadian or "federal" dollars.

Community Exchange Systems may be non-profit or for-profit organizations. This booklet is concerned only with non-profit, voluntary organizations.

Community Exchange Systems have developed out of people's desires to deal with difficult economic conditions in effective and positive ways. CES provide an opportunity for people who are both motivated and innovative and who desire to make use of the skills and talents they have in exchange for the goods and services they need. Unemployed people, self-employed people,

people employed part-time, students, retired people, and others have found exchange systems to be particularly valuable. A number of businesses in different communities have also discovered the usefulness of exchange systems.

The purpose of this booklet is to give you an understanding of how a CES works and what is involved in setting one up.

This booklet can allow you to see whether or not it would be valuable for you to become a member of an exchange system. It is likely that you will discover that it can benefit you whether you use the exchange system occasionally or on a regular basis. If there is an exchange system already functioning in your community you may wish to join it, and if there isn't, you may be interested in setting one up.

HOW AN EXCHANGE WORKS

Trading through an exchange system is different from the trading that we may have done with our friends and neighbours. Most often trading with our friends and neighbours has been on a one-to-one basis and trading occurs as long as each of us has something the other wants. The advantage of a CES is that members have access to goods and services provided by a larger number of people. The members in turn can pay for goods and services they use by supplying goods and services to any other

member. The availability of different items is limited only by the number of people involved and, as a result, the possibilities for trade increase significantly.

So how does trading actually take place and how do members keep track of their transactions? To answer this, it may be useful to provide an example of a typical transaction

Susan, Michael, Lori and Mr. Brown are members of an exchange system. Susan wants to have some cabinets built in her kitchen and she decides to use her local exchange system to have the work done. She refers to the goods and services list provided by the exchange, and decides to ask Michael to do the job. Susan and Michael discuss the job and agree on the price of 200 exchange dollars (200 e\$). Michael builds the cabinets and when the job is finished, both he and Susan complete and sign a 'trade cheque', which states their names, the job and the price. The details of the transaction are then forwarded to a group facilitator. The facilitator records the transactions in the form of a credit of 200 e\$ to Michael's account and a debit of 200 e\$ to Susan's account. Later when Michael wants a haircut he refers to the goods and services list and hires Lori to cut his hair for 10 e\$. The facilitator now debits Michael's account by 10 e\$ bringing it to 190 e\$, and Lori's account now shows a credit of 10 e\$. Meanwhile Susan is hired to rototill Mr. Brown's garden and is paid 40 e\$. Her debit is now reduced to 160 e\$, and so on.

The result of the transactions was that everyone got something of value without having to use cash. Mr. Brown had his garden rototilled, Susan had her cabinets built, Michael had a haircut, and both Lori and Michael have credits that they can use at some later date.

QUESTIONS PEOPLE ASK ABOUT COMMUNITY EXCHANGE SYSTEMS

- » 1. WHAT KINDS OF GOODS AND SERVICES ARE GENERALLY OFFERED THROUGH A CES?

You may see anything from gardening and tutoring, to dentistry and computer programming, to carpentry, electrical work and plumbing. You may find artisan crafts such as pottery and silk painting, and office services such as bookkeeping, typing and accounting. The range of goods and services is often very broad. A list of goods and services is provided to each member.

- » 2. HOW IS THE VALUE OF A GOOD OR SERVICE DETERMINED?

People have found that they usually determine the value of items according to what they're accustomed to paying when dealing in federal dollars (cash). However, there is no set price and the 'right' price will be whatever price both members agree on.

- » 3. WHAT DOES IT NORMALLY COST TO BECOME A MEMBER OF A CES AND WHAT CAN I EXPECT TO RECEIVE IN RETURN FOR MY MEMBERSHIP FEE?

Membership fees usually range between \$10 and \$20. If necessary, members may also be charged a small transaction fee in exchange dollars to cover the cost of recording transactions.

As an exchange member you'll likely receive:

- a) a membership card and account number;
- b) a regularly updated list of the goods and services offered by members;
- c) a supply of trade cheques;
- d) notice that a file will be kept of your transaction by the group facilitator;
- e) information on the rules and regulations of trading that have been developed by the group's organizing committee;
- f) a copy of Revenue Canada Bulletin No. IT-490 (see Appendix C).

Once participating in the CES, members can also receive a regular statement of their account.

➤ 4. **HOW OFTEN MUST I PARTICIPATE AND AM I OBLIGATED TO ACCEPT ALL BUSINESS OFFERS?**

If you join an exchange system it is expected that you will participate, but with whom you trade and how often you trade is entirely up to you.

➤ 5. **CAN CASH BE INCLUDED IN A TRANSACTION?**

Yes, this is perfectly acceptable as members are aware of the need for cash in some instances. For example, a situation may arise where a member has to obtain some building supplies for cash when providing home repairs services to an exchange member. To do this, all that is required is that the member supplying

the services makes arrangements with the other party for reimbursement in federal dollars as well as exchange credits. In other situations members may simply choose to work on a percentage basis of cash to exchange dollars, depending upon their needs.

» 6. **CAN A BUSINESS PARTICIPATE IN A CES?**

YES Businesses, like everyone else, are welcome to participate. Exchanging goods and services instead of relying on cash can be a means for businesses to make ends meet, particularly at times when business is slow. In one community, for example, a hair salon provides its services in exchange for such things as carpentry and plumbing. Participation by a business can also be another way for a business to increase its interaction with the community.

» 7. **IS THERE IS A LIMIT ON THE NUMBER OF EXCHANGE DOLLARS A MEMBER CAN SPEND?**

It is important to know that it is through members' spending that an exchange system is activated. The more it is used, the more members benefit. So don't sit back and wait for people to ask you. For this reason, some groups argue that there should be no debit limits, although other groups, for various reasons, have chosen to set limits on the amount of spending. In the setting of a limit there are two considerations: firstly, that the limit amount needs to be high enough to encourage spending; and secondly, that it be low enough that if there is a problem the loss to the group as a whole would not be significant.

- » 8. WHAT IS THERE TO GUARANTEE THAT THE WORK OR GOODS I RECEIVE WILL BE OF SATISFACTORY QUALITY?

In an exchange system, as in any other business setting, the choice to purchase a good or service is yours. If you are concerned about getting good quality service then it is up to you to ask any necessary questions. If you don't think you'll be satisfied, don't utilise the service. However, many people have commented that doing business through an exchange is more personal and, as a result, people are often more conscientious of the work they do than otherwise.

- » 9. WHAT HAPPENS IF I GET HURT ON THE JOB?

The laws of the land apply and you'll have to resolve it with the other party involved. If you are concerned discuss the situation beforehand with the other party, and then take any necessary precautions to ensure safety.

A CES is a referral service only, and is not liable for any injuries that you may incur on the job.

- » 10. IF MACHINERY OR TOOLS ARE BROKEN ON THE JOB WHO PAYS THE COST?

Once again these concerns are something that have to be dealt with between members. The situation should be discussed with the other party and any necessary arrangements be made ahead of time.

- » 11. WHAT WOULD BE REQUIRED IF I WAS TO MOVE FROM THE AREA OR IF I SIMPLY DECIDED TO CLOSE MY ACCOUNT?

Groups will usually stipulate in their trading agreements that a member is required to clear his debits before closing his account. If it is not convenient to work them off, they can be paid off in cash.

- » 12. HOW COULD THIS AFFECT MY INCOME TAX?

The goods or services that you acquire may or may not be considered taxable. It is the job of each member to find out what applies in his or her own situation. Trading in exchange dollars is essentially the same as any other business transaction where federal dollars are used and should be treated as such. If you have any questions you could contact Revenue Canada (See Telephone Directory of listings). See also Appendix C of this booklet.

- » 13. I CAN SEE HOW A CES COULD BENEFIT ME, BUT I'M NOT SURE THAT I HAVE ANYTHING TO OFFER. HOW CAN I PARTICIPATE?

If this situation applies to you, all that it may require is that you be creative in coming up with ideas. A good place to start is to talk to other participants to find out what they may be wanting. Thumbing through the yellow pages can also be a good way to generate business ideas. Also, there may be goods and services that you could offer that you have overlooked -- possibly skills that you have taken for granted that could be used by others. For example, driving a car, cutting grass, gardening work, teaching a hobby or a craft, or fixing a bicycle.

» 14. WHAT IF SOMEONE THINKS THEY ARE ALREADY SELF-SUFFICIENT AND CAN'T SEE HOW AN EXCHANGE SYSTEM COULD BE OF BENEFIT?

This may be the case, but did you try asking yourself questions like these:

- a) Do I do all my own car repairs?
- b) Could my children use some tutoring?
- c) What about another pair of hands to assist me with that renovation?
- d) What about those jobs that I just haven't had time to do, and could use some help with?

Remember too, that goods such as food, furniture, tools, recreational equipment, etc., are often sold through exchange systems.

If a CES is already operating in your community and you are interested in participating, give them a call. The group may or may not be well known and so you may need to phone around. Once they are established, most groups will have both resource people and information available to answer any questions you might have. Although all CES operate in basically the same way, there will be differences between groups and it would be useful to find out exactly how your particular group functions. Once your questions have been answered, and you are satisfied, becoming a member should be straightforward. You'll complete and sign a membership form which includes your name, your phone number, the goods and services you will provide, as well as a statement regarding membership rules. There will be a membership fee, which is usually payable in federal dollars. As a new participant you will receive the type of membership package described under Question 3 on page 10 of this booklet.

SETTING UP AN EXCHANGE

If there isn't a CES in your community you may be interested in setting one up. The actual requirements for administering an exchange are minimal. However, setting up an exchange and having it operate successfully does require planning. You'll discover that there are a variety of ways that an exchange system can be set up.

To begin you may want to gather together a small group of interested people to work with you in the planning process. Your working group is important and you should choose people who are enthusiastic, flexible, have organizational abilities and, above all, who work well together. Some of the topics that you'll need to discuss include the goals of the group, the trading guidelines, how the group will legally register itself, the accounting system to be used, and the membership package, etc.

In the following pages each of these topics will be discussed briefly in order to give you a basic idea of what is involved. Remember that many of these questions will have already been addressed by other groups. They would be able to assist you in answering some or all of your questions (addresses and telephone numbers for a few contact organizations are listed in Appendix A).

FORMING A NON-PROFIT ORGANIZATION

If your group decides to go ahead and set up a CES then you will want to incorporate as a formal organization. Community Exchange Systems are usually incorporated as non-profit organizations under the **Society Act**. The Act stipulates the rules and regulations governing membership, finances, and structure.

Under the Society Act a board of directors will have to be elected. The volunteers who make up the board will be responsible to the members of the CES for making sure that the system works effectively and efficiently, and in accordance with the objectives that have been agreed upon. A group of officers of the Board will also have to be chosen. These will include a President, a Secretary, and a Treasurer (sometimes these last two positions are combined).

A copy of the Society Act may be obtained from the Registrar of Companies, Parliament Buildings, Victoria, B.C., V8V 1X4.

It is suggested that you consult with someone who has had experience in incorporating a society and, if necessary, seek the advice of a lawyer knowledgeable in this field.

ACCOUNTING: THE ROLE OF THE SOCIETY TREASURER

The elected treasurer of the Society will be responsible for ensuring that all finances concerned with federal dollars are properly recorded and administered according to the policies of the Board and the Society Act. A financial record of federal dollars received from membership fees will, for example, be necessary.

RECORDING AND ACCOUNTING IN EXCHANGE DOLLARS: THE POSITION OF EXCHANGE FACILITATOR

An accounting system is needed to record the exchanges between members. For a small group all that may be required is an accounts book with a page assigned to each member. For a larger group a computer file would probably be more appropriate. Other groups have developed computer programs. These programs are relatively straightforward and you may be interested in finding out exactly how they are set up in order to save yourself time.

The group will need to choose an individual to act as the Exchange Facilitator. It is the job of this individual to record the transactions made between members. Members will either submit their record of transactions to the Facilitator or forward the information over the telephone. Some groups have found that an answering machine is useful.

This is often more convenient for the members and, as well, is less time-consuming for the Facilitator. In addition to the job of handling the accounting, the Facilitator will usually look after such things as compiling, updating and distributing the goods and services list, acting as the group treasurer, etc. It is, of course, up to the organizing body to decide what functions the Facilitator will carry out. An Exchange Facilitator is usually paid for his work in exchange dollars.

GOODS AND SERVICES LIST

This is a list of all the goods and services available through the membership. It consists of members' names, their telephone numbers and the goods and services that they provide. The goods and services offered will usually be divided into categories such as office services, transportation, house and garden, trades, etc. By including a 'want-ad' section on the list you can also serve to facilitate trading.

ADMINISTRATION EXPENSES NOT COVERED BY FEDERAL DOLLARS

Many groups have discovered that there are some costs which cannot be covered by exchange dollars. These may include printing costs, costs of renting an answering machine, mailing costs, etc. On account of this,

groups require a small amount of working capital -- money which comes mainly through membership fees. Because groups are usually set up to be self-supporting, they will need to charge a fee sufficient to cover operating costs.

TRADING GUIDELINES

Trading guidelines will vary depending upon the particular concerns of each group. **Many of the issues around which trading rules have developed are discussed in the 'Questions' section.** There may be trading guidelines which deal with the day-to-day workings of the group, as well as guidelines which concern membership meetings, the work of the Exchange Facilitator, the board of Directors, etc. As mentioned, the Society Act sets the framework wherein the rules and guidelines operate for non-profit organizations. For information and advice on day-to-day procedures, we suggest that you contact other groups which have had experience in dealing with some of these questions (see Appendix A).

PROMOTIONAL WORK

There are many different methods for promoting the exchange system in the community. Promotional activities can range from holding informational meetings, to sending out information and questionnaires into the community, to holding exchange fairs, to relying entirely on information-sharing

through word of mouth. In fact, information passed from one friend to another is often very effective. **Remember, promoting your CES within your community is important to its success. If people don't know about it, they can't join!**

C O N C L U S I O N :

THE FUNDAMENTALS OF COMMUNITY EXCHANGE SYSTEMS

- » 1. Have a core group of people committed to actively organizing, promoting and operating the CES.
- » 2. Develop a good cross-section of skills, goods and services in the CES.
- » 3. Have a sound management system:
 - an advisory board;
 - an Exchange Facilitator;
 - a recording process for transactions in exchange dollars;
 - a federal dollar bookkeeping procedure.
- » 4. Promote democratic membership involvement in all aspects of the system.
- » 5. Have an active public information program for the CES.
- » 6. Build support with key community groups: Chamber of Commerce, Trades and Labour Council, churches, and community service organizations.
- » 7. Encourage maximum use of the CES. The more it is used, the more members benefit.

KEEPING IN TOUCH:

Do you want to keep in touch and exchange information with other local Community Exchange Systems? Community Initiatives Publications can distribute a contact list of exchanges in British Columbia, as they develop.

Community Initiatives Publications
2832 West 36th Avenue
Vancouver, B.C.
V6N 2R1

Tel: 263-9464

A P P E N D I X A

**TWO SOURCES OF FURTHER INFORMATION ON
COMMUNITY EXCHANGE SYSTEMS IN BRITISH COLUMBIA**

» 1. Local Exchange Trading System (Letsystem)

The Letsystem is operating in Courtenay and the Lower Mainland.
It is a non-profit organization.

For information: Landsman Community Services Limited
 479 Fourth Street
 Courtenay, B.C.
 V9N 1G9

Tel: 338-0213

OR

#5, 4609 East Hastings Street
Burnaby, B.C.
V5C 2K6

Tel: 298-1011

» 2. Trade Referral and District Exchange (T.R.A.D.E.)

T.R.A.D.E. is a recently organized non-profit community exchange
system.

For information: Box 251
 Errington, B.C.
 V0R 1V0

Tel: 752-3470

APPENDIX B

EXAMPLES OF GOODS AND SERVICES IN A COMMUNITY EXCHANGE SYSTEM

SERVICES	SERVICES
Arts and Crafts	Heavy Duty Equipment
- air brushing	- front end loader/backhoe
- art work	House Sitting
- crocheting, knitting	House/Interior Design
- portrait photography	Instruction
- quilting	- piano lessons
Audio Visual Services	- Spanish lessons
Building Trades	- tennis lessons
- bricklaying	- tutoring
- cabinets	Landscaping
- carpentry	Manual Labour
- electrical	- fence and post holes
- furniture	- gardening
- general renovations	Personal Care/Health
- roofing	- accupressure
Business	- hair care
- bookkeeping	Pet/Livestock Services
- commercial art	- animal sitting
- computer programming	- canine training
- typing	- veterinary service, in-home
- word processing	Repairs - Miscellaneous
Children's Services	- piano tuning
- babysitting	- sewing machine service
- children's parties	Transportation
- special needs children	- bicycle repairs
Counselling Services	- car repairs
- family	- driving services
- personal	- pick-up truck
- post-partum	
Domestic Help	GOODS
Equipment - Miscellaneous	Bedding
- light carpentry tools	Building Supplies
- power saw	Children's Clothes
- rototiller	Farm Produce
- table saw	Miscellaneous
Food Processing	- clothes dryer
- baking	- floor loom
	- outboard motor

REVENUE CANADA, TAXATION

REVENU CANADA, IMPÔT

INTERPRETATION **BULLETIN** D'INTERPRÉTATION

SUBJECT: INCOME TAX ACT
Barter Transactions

NO: IT-490

DATE: July 5, 1982

REFERENCE: Section 3 (also sections 9 and 69)

1. The purpose of this bulletin is to outline the Department's views on the income tax implications arising from bartering.

2. In its simplest form, bartering consists of trading by exchanging one commodity for another. Recently, however, the practice of bartering for goods and services has evolved into a sophisticated computer-controlled system of commerce proliferated by franchised, member-only barter clubs, where credit units possessing a notional monetary unit value have become a medium of exchange.

3. A barter transaction is effected when any two persons agree to a reciprocal exchange of goods or services and carry out that exchange usually without using money. In a barter transaction between persons who are dealing with each other at arm's length, it is a fundamental principle that each of those persons considers that the value of whatever is received is at least equal to the value of whatever is given up in exchange therefor.

Income Tax Implications

4. The Department takes the view that barter transactions are within the purview of the Income Tax Act. Such transactions can therefore result in income or expense as contemplated by sections 3 and 9 thereof or can result in the acquisition or disposition of capital property, eligible capital property, personal-use property or inventory, depending upon the circumstances of the persons who are bartering and the nature of that which is bartered, on the same basis as if cash was the consideration.

5. In the case of services bartered by a taxpayer for either goods or services, the value of those services must be brought into the taxpayer's income where they are of the kind generally provided by him in the course of earning income from, or are related to, a business or a profession carried on by him. Examples are a dentist or the owner of a plumbing business who agrees to fix someone's teeth or drains (respectively) in return for services or property provided by the other party. Where the taxpayer is an employee, e.g. a mechanic, occasional help given to a friend or neighbour in exchange for something would

not be taxable unless the taxpayer made a regular habit of providing such services for cash or barter.

6. In the case of goods bartered by a taxpayer for either goods or services, the value of those goods must similarly be brought into the taxpayer's income if they are business-related. For example, the value of groceries given by a grocer to someone in exchange for something else must be brought into the grocer's income. In addition, other goods bartered may give rise to a capital gain. Such would be the case if capital property in the form of a valuable painting, a sailboat or land is bartered for goods or services.

7. In arm's length transactions, where an amount must be brought into income or treated as proceeds of disposition of capital property, that amount is the price which the taxpayer would normally have charged a stranger for his services or would normally have sold his goods or property to a stranger. The cost of the services, goods or property received by him is the same amount as the total value of the goods, property or services given up, plus any cash given as part of the barter, and minus any cash received as part of the barter. The same rules would apply in non-arm's length transactions, subject to the provisions of section 69 which would override them where appropriate, e.g. by restricting the cost of goods received to their fair market value.

8. Where the goods or services given up cannot readily be valued but the goods or services received can, the Department will normally accept the value of the latter as being the price at which the transaction took place if the parties were dealing at arm's length.